York University Endowment Fund

Annual Investment Report to the Board of Governors

For Year Ended December 31, 2013

Board Investment Committee - April 11, 2014

Board of Governors - April 28, 2014

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The Endowment Fund (the Fund) is a pool of commingled assets held for the endowments of York University in long-term investments. The endowments are composed of gifts and bequests received from donors plus capital from matching programs, combined with quasi-endowments, which are funds designated by the University and invested over the long term to support specified priorities. The Fund generates annual payouts to support the endowed scholarships and academic chairs.

The Fund investments are governed by the objectives and constraints specified in the Statement of Investment Policies and Procedures (Policy). The Board of Governors reviews and approves the Policy including any changes to investment strategy or asset mix on an annual basis. The Investment Committee of the Board of Governors oversees the implementation of investment strategy and the external portfolio managers.

The Fund and Markets in Review - 2013

The market value of the Fund as at December 31, 2013 was $405.3 million, compared to $350.5 million as at December 31, 2012.

The market value of the Fund rose by $54.8 million during 2013. The increase in assets was caused by inflows of $4.5 million in donor contributions plus investment income and capital appreciation of $64.8 million net of withdrawals of $14.5 million for distribution to endowed accounts.

The Fund investments earned a one-year rate of return of 17.3% for the 12 months ended December 31, 2013, compared to 12.5% in 2012. The Fund's one-year performance in 2013 fell short of the 18.1% rate of return of the benchmark by 0.8%.

World equity markets fared well during 2013. In particular U.S. equities soared, with the S&P 500 returning 41.3% in Canadian dollar terms for the one year and European, Australasian and Far East (EAFE) markets as a group returning 31.0%. Canadian equities, represented by the S&P/TSX Composite, generated a return of 14.0% while Emerging Markets equities struggled after a stretch of years outperforming the developed markets, with the MSCI Emerging Markets index producing a return of 3.9%. Many of the foreign markets returns in CAD terms contained a significant component of appreciation due to the rise of exchange rates in 2013 against the Canadian dollar.

Fixed income markets took a turn during 2013 as recovery took hold in the U.S. Monetary policy signals from the U.S. Fed in the second and fourth quarters convinced the markets on the bias that interest rates were set to rise in the more definite future, though much volatility ensued in global markets for stocks and bonds as economic indicators (which are usually lagging signals) caused consternation to Federal Reserve governors and legacy risk to Ben Bernanke. In this charged atmosphere, longer duration bonds lost value and broad and long-term bond indices produced negative total returns. The DEX Universe Bond total return was -1.2% for the year. At the short end of the market, 91-day Canada Treasury Bills generated a low nominal one-year return of 1.0%. High yield bonds, reflecting their hybrid fixed income and equity exposures had a good year, as the Citigroup High Yield Market index produced 13.47% in CAD returns.

The Fund assets are managed by seven portfolio managers in nine distinct mandates. All mandates are actively managed, with the exception of Canadian fixed income which was converted in September to half active while retaining a half-passive exposure.

The strong performance of capital markets, particularly equities, in 2013 set a high bar for the performance of managers, especially those with **value styles** as is largely the orientation of the portfolio managers that invest for the Fund. The global and emerging markets equity portfolios that together compose 35% of the Fund underperformed during 2013. The 20% allocation to U.S. equities invested in a small-mid cap strategy and the high yield bond mandate which combines an exposure to emerging markets debt also moderately underperformed their benchmark indexes. The underperformances were partially offset by the significant outperformance of both Canadian equity portfolios that together make up 15% of the Fund. In all, active management detracted 2.2% from the total fund return relative to the total fund benchmark. This was offset by 1.3% of positive relative return due to asset allocation including an underweight in the lowest returning equity class of emerging markets, an overweight in the highest returning equity class of U.S. small/mid cap, an underweight in Canadian bonds and an overweight in the higher returning fixed income class of high yield bonds.

The currency management program detracted during 2013 as hedging during Canadian dollar depreciation subtracted 1.5% of total fund return. On the positive, the actively-managed currency overlay return edged above its performance benchmark.

Direct expenses charged to the Fund for investment management, custody, performance measurement and consulting in 2013 were, expressed as a rate, 0.67%.

The Fund's four-year annualized return of 10.7% exceeded the four-year benchmark return of 10.0% by 0.7%. A four-year interval for performance evaluation is the Policy standard for assessing whether the Fund return objective has been achieved. The objective has been achieved both on a before and after fees basis.

The body of this Report reviews the Policy, the Fund's investment strategy, asset allocation, and manager mix plus detail on the performance of the Fund to December 31, 2013 on relative and comparative terms. The activities of the Investment Committee conducted during 2013 and those planned for 2014 are summarized in the final sections.

Endowment Fund Asset Mix

The Policy asset mix shown in figure 1, specified in terms of asset class target weights as set out in the Statement of Investment Policies and Procedures, last confirmed effective as of January 1, 2012 and unchanged since the approval of the Board of Governors on February 28, 2012.

Figure 1

Policy Asset Mix

Asset Class	Target Weight	
Equities		**70%**
Canadian	15%	
US - Small/Mid Cap	20%	
Global	25%	
Emerging Markets	10%	
Fixed Income		**30%**
Canadian Bonds	25%	
Global High Yield Bonds	5%	

The Policy asset mix is formally determined by an Asset-Liability study designed to meet the Fund's investment objectives and the endowment spending needs of the University. The Policy investment objectives are to preserve capital over a long-term horizon and to provide inflation-adjusted annual funding to support the spending obligations of the endowments.

The Policy target asset mix in effect at end of 2013 was first formally adopted by the Board of Governors in 2008. The investment strategy was amended in 2010 to include active currency management in the form of an overlay for the 50% of the total fund held in non-Canadian-dollar, developed markets exposures.

The Fund's actual asset mix compared to the Policy asset mix, including currency overlay, as at December 31, 2013, is shown in figure 2.

Figure 2

Actual Versus Target Asset Class Weights - December 31, 2013

Asset Class		Market Value (Mil)	Actual Weight		Target Weight		Over/Under
Equities		**$303.0**		**75%**		**70%**	**5%**
Canadian	$ 66.4		16%		15%		1%
US - Small/Mid Cap	$ 95.8		24%		20%		4%
Global	$107.4		27%		25%		2%
Emerging Markets	$ 33.4		8%		10%		-2%
Fixed Income		**$105.2**		**26%**		**30%**	**-4%**
Canadian Bonds	$ 76.5		19%		25%		-6%
Global High Yield Bonds	$ 25.7		6%		5%		1%
Short Term Investment:	$ 3.0		1%		0%		1%
Currency Overlay	$ (2.9)		-1%		0%		
Total Portfolio		**$405.3**		**100%**		**100%**	

The actual weights of the portfolios are permitted to vary by Policy within a range of +/- 5% of the target weights and are rebalanced periodically back to target with ambient cash flows.

The University has engaged seven investment managers to manage eight specialty investment mandates plus an allocation to short-term investments for generating some yield on Fund liquidity. Each manager has been selected for their specific investment expertise. Specialty mandates have been established that prescribe the asset class, investment style, objectives and constraints for each portfolio. The managers, asset class mandates, market values and fund weights are shown in figure 3. The currency overlay composed of liquid three-month foreign exchange forward contracts for major currency pairs is shown reported on the standard mark-to-market basis.

Figure 3

Specialty Mandates and Asset Allocations - December 31, 2013

Investment Manager	Mandate	Market Value (Mil)	Weight
Equities			
Foyston, Gordon & Payne	Canadian	$ 32.8	8%
Mawer	Canadian	$ 33.6	8%
Westwood	Small/Mid Cap US	$ 95.8	24%
Aberdeen	Global	$ 107.4	27%
Aberdeen	Emerging Markets	$ 33.4	8%
Fixed Income			
TD Asset Management	Canadian	$ 76.5	19%
Stone Harbor	Global High Yield	$ 25.7	6%
TD Asset Management	Short Term Investments	$ 3.0	1%
Currency Overlay			
Mesirow Financial	Currency Hedge	$ (2.9)	-1%
Total Portfolio		$ 405.3	100%

Endowment Fund Performance Objectives

The target return objective is stated in the form of a composite benchmark. The benchmark for the total fund is a weighted composite of total returns produced by specific capital markets indices. Each component index is broadly representative of an asset class as defined in the Policy asset mix and is a transparent and reproducible sample of publically-traded investable equities or bonds for a specific country or area.

Figure 4

Performance Objective and Benchmark Composition

Asset Class	Weight	Index
Canadian Equities	15%	S&P/TSX Composite
Small/Mid Cap US Equities	20%	Russell 2500
Global Equities	25%	MSCI World
Emerging Markets Equities	10%	MSCI Emerging Markets
Canadian Bonds	25%	DEX Universe Bond
Global High Yield Bonds	5%	Citigroup High Yield Market Capped

The Policy return objective of the Fund is to achieve a four-year annualized rate of return, net of investment fees, that meets or exceeds the four-year annualized rate of return of the composite benchmark for the same period, over most four-year annualized periods, as measured year to year.

Fund performance is expressed as a total fund rate of return, gross of fees, in Canadian dollars. The rates of return are calculated by an independent performance measurement provider, BNY Mellon's Global Risk Solutions group.

Evaluating Endowment Fund Performance

Performance evaluation for the Fund is carried out using several facets. On a monthly basis, the total fund rate of return is measured, compared to the return of the composite benchmark, and reported over a series of intervals spanning one month to ten years. Formal performance evaluations, conducted semi-annually for review by the Committee, focus on one-year and four-year returns to, respectively, gauge recent performance and assess longer-term success in meeting Policy objectives. The results for individual portfolios and managers are reviewed, including performance statistics for portfolio risk and return that are measured and compared to the objectives specified in each of the specialty mandates.

Figure 5 shows the Fund's long-term performance record and provides a snapshot of the success of the investment program over this period.

Figure 5

Endowment Fund Long-Term Performance

Annualized Returns for Periods Ended December 31, 2013

	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs	6 Yrs	7 Yrs	8 Yrs	9 Yrs	10 Yrs
Hedged										
Fund	17.3%	14.9%	10.0%	10.7%	12.8%	6.7%	5.7%	6.8%	7.4%	7.6%
Benchmark	18.1%	14.7%	9.0%	10.0%	11.9%	6.2%	5.5%	6.4%	7.0%	7.2%
	-0.8%	0.2%	1.0%	0.7%	0.9%	0.5%	0.2%	0.4%	0.4%	0.4%
Unhedged										
Fund	18.8%	15.3%	10.8%	11.1%	12.9%	6.8%	5.8%	6.9%	7.5%	7.7%
Benchmark	19.6%	15.1%	9.5%	10.0%	12.0%	6.2%	5.6%	6.4%	7.0%	7.2%
	-0.8%	0.2%	1.3%	1.1%	0.9%	0.6%	0.2%	0.5%	0.5%	0.5%

The ten-year annualized rate of return of the Fund including currency hedging was 7.6%. On a ten-year basis, the Fund has met its return objectives of exceeding a market-oriented composite benchmark and preserving the real value of capital. The latter can be approximated by subtracting 4.5% representing the distribution to endowment beneficiaries, stated as an average yield based on market value, less 0.4% representing the ten-year average expense ratio, and comparing the residual return of 2.3% to the 2.0% ten-year average rate of inflation (Canada CPI). The five-year return of 12.8%, covering the volatile recovery period following the worst of the global credit crisis, also shows the Fund has attained its performance objectives.

Currency hedging was introduced into the portfolios in 2009 with a passive currency hedge on USD denominated exposures. In 2010, strategic hedging was integrated into the Policy and benchmark and an active currency overlay mandate for hedging developed markets currency exposures was fully implemented.

The effect of strategic currency hedging, introduced to the portfolios in 2009, is seen in Figure 5. Over the five years, since introduction of the currency strategy, the annualized contribution of the currency hedging program has been -0.1%. The negative effect on total fund is in part due to depreciation of the Canadian dollar during 2013 and in part due to manager underperformance during the prior two years.

Success over the longer term is attained through a variety of factors. These include program developments in response to shifts in the investment environment, changes in the cashflow characteristics of the endowment fund, and evolving risks contributed by components of the Fund. The Committee has concentrated on selecting strategies and managers that align with the investment objectives of preserving capital through a range of capital market outcomes while sustaining a regular stream of inflation-adjusted spending over the long run.

Annual and Four-Year Annualized Performance

Figure 6 shows annual one-year returns over ten years since 2004 and the four-year annualized return to December 31, 2013 relative to the Policy benchmark, on hedged and unhedged terms:

Figure 6

Endowment Performance - Annual Returns

	Annual Returns for One-Year Periods Ended December 31										Annualized Four Years
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2010-13
Hedged											
Fund*	**17.3%**	12.5%	9.0%	12.8%	21.7%	*-19.1%*					**10.7%**
Benchmark	**18.1%**	11.4%	-1.5%	12.9%	20.2%	*-18.6%*					**10.0%**
	-0.8%	1.1%	2.4%	-0.1%	1.5%	*-0.5%*					**0.7%**
Unhedged											
Fund	**18.8%**	12.0%	2.4%	12.0%	20.3%	-19.1%	-3.0%	15.1%	12.0%	9.8%	**11.1%**
Benchmark	**19.6%**	10.7%	-0.9%	11.8%	20.2%	-18.6%	1.9%	12.7%	11.6%	9.1%	**10.0%**
	-0.8%	1.3%	3.3%	0.2%	0.1%	-0.5%	-4.9%	2.4%	0.4%	0.7%	**1.1%**

** Currency hedging commenced in 2009.*

The one-year total fund rate of return as at December 31, 2013, including hedging, was 17.3% and compared to the half-hedged benchmark rate of return of 18.1%, the Fund fell short by 0.8%. Excluding the impact of hedging, the Fund return of 18.8% had fallen short of its unhedged benchmark return of 19.6% by 0.8%.

The shortfall of 0.8% is attributable to the underperformance of the active managers. The most significant negative contribution was due to the poor performance of global equities which is the single largest portfolio in the Fund. The global equities underperformance of 13.8% and the emerging markets portfolio underperformance of 3.8% compared to their respective benchmarks caused a significant short fall for one-third of total fund. Underperformance was also sustained by the U.S. equities and high yield bonds portfolios, which underperformed their benchmarks by 1.2% and 1.0% respectively. Together these portfolios made up almost another third of the total fund. Canadian bonds underperformed due to the addition of a short-duration tilt during the third quarter of 2013. Despite shortfalls in individual portfolio performances during 2013, all portfolios are judged to be positioned with managers expected to outperform over the longer term. Their strategies, styles and philosophies continue to be suited to the Endowment Fund and the managers have demonstrated ability to meet the expectations of their mandates.

The underperformance by active managers was cushioned considerably by the asset mix. Asset class underweights and overweights are reviewed monthly by the Investment Committee and variations (see Figure 2) were permitted to tactically prevail. These included underweights in the lowest returning asset classes of emerging markets equities and Canadian bonds and overweights in the highest returning asset class of U.S. equity and highest returning fixed income class of high yield bonds, all of which contributed positively to the 2013 results.

Over four years to December 31, 2013, the annualized return for the Fund was 10.7%. This result exceeded the Policy benchmark four-year annualized return of 10.0% by 0.7%. The four-year annualized return of 10.7%

includes the effects of currency hedging program. Excluding hedging, the four-year annualized return was 11.1% indicating a net negative annualized return of 0.4% from the hedging program over the four-year period.

The index total fund rates of return in Canadian dollar terms for the past four calendar years and annualized for the four-year period were:

Figure 7

Equity and Fixed Income Index Returns (CAD)

	Annual Returns				Annualized Four Years
	2013	2012	2011	2010	2010-13
Equities					
S&P/TSX Composite (Canadian)	13.0%	7.2%	-8.7%	17.6%	6.8%
Russell 2500 (Small/Mid Cap US)	46.0%	15.3%	-0.1%	20.1%	19.2%
MSCI World (Global)	35.2%	13.3%	-3.2%	5.9%	11.9%
MSCI Emerging Markets (Emerging Markets)	4.3%	16.0%	-16.2%	13.0%	3.5%
Fixed Income					
DEX Universe Bond (Canadian)	1.2%	3.6%	9.7%	6.7%	4.6%
Citigroup High Yield Markets Capped	13.4%	12.2%	8.4%	9.2%	11.0%

Total Fund Comparative Performance

Aon Hewitt provides comparative data for an actual sample of Balanced Funds measured in its pooled funds survey compiled quarterly. Comparative performance results for the last four one-year periods and multi-year periods ended December 31, 2013 are presented in Figure 8. The Balanced Funds possess investment objectives that are similar to those of the Endowment Fund. These results exclude outlier returns that fall outside the range of 5th to 95th percentiles.

Figure 8

Peer Group Comparison as at December 31, 2013 - Balanced Funds

	Annual Returns						Annualized Returns		
	1 Year	2 Years	3 Years	4 Years	5 Years	10 Years	1 Year Ending Dec-2012	1 Year Ending Dec-2011	1 Year Ending Dec-2010
Percentile									
5th (highest)	19.6%	16.4%	12.2%	11.8%	12.8%	8.3%	13.2%	4.7%	12.8%
25th	18.2%	14.2%	9.9%	10.0%	11.5%	7.7%	11.0%	2.6%	11.2%
50th (median)	16.2%	12.5%	8.1%	8.6%	10.3%	7.1%	9.2%	0.1%	10.5%
75th	14.8%	11.5%	7.0%	7.6%	9.4%	6.3%	8.1%	-2.5%	9.6%
95th (lowest)	12.8%	10.2%	3.8%	5.1%	7.3%	5.1%	6.4%	-8.7%	7.4%
Comparative									
York University	17.7%	15.1%	10.1%	10.8%	12.9%	7.7%	12.5%	0.8%	12.8%
Quartile Rank	*Q2*	*Q1*	*Q1*	*Q1*	*Q1*	*Q1*	*Q1*	*Q2*	*Q1*

Source: Pooled funds returns from Aon Hewitt survey and Morningstar database.
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The Fund's one-year rate of return of 17.7% ranked at the 31st percentile, solidly at the top of the second quartile compared to the Balanced Fund survey results. For each of the two, three and four year annualized periods, the Fund ranked in the first quartile, at the 15th, 24th, and 16th percentile positions respectively. For 5 years and 10 years, the Fund ranked in the first quartile, measured at the 3rd and 25th percentiles respectively. Compared to results of a peer group, the Fund has sustained a solid first quartile performance.

Comparative performance should always be assessed in context of the common denominator. York's Endowment fund of 70-30 stocks to bonds mix by design deviates from the conventional 60-40 mix that is common to many pension funds that make up the Balanced Funds universe presented by Aon Hewitt.

Consequently, in years when equity market returns are strong relative to bonds, those funds with higher equity content tend to outperform the comparative sample.

Endowments Growth

Over the last four years since 2009, the Endowment Fund book value has grown by $23.9 million and the market value, net of distributions for endowed spending, has appreciated by $118.2 million.

Figure 9

Endowment Pool Growth - December 31 ($ Millions)

	Market Value	Book Value	*Market-to-Book Ratio*
2013	$ 405.3	$ 281.3	*1.44*
2012	350.5	277.3	*1.26*
2011	326.4	271.0	*1.20*
2010	320.0	265.7	*1.20*
2009	287.1	257.4	*1.12*

Endowment Fund book value is mainly the corpus made up of historical capital from donors together with historical capital contributions from government and University matching programs. Book value also includes capital protection built up in the years up to 2008 prior to the suspension of these allocations following the credit crisis. Endowment Fund market value includes income, realized and unrealized appreciation and is net of expenses and spending for the purposes of to endowed accounts.

The one-year change in the market value of the Fund is the net effect of cashflows and earnings.

Figure 10

Change in Total Fund Market Value ($ Millions)

Market Value, December 31, 2012		$ 350.5
Contributions:		
Gifts, Bequests and Matches	4.4	
Withdrawals:		
Distributions and Expenses	(9.5)	
Earnings:		
Investment Income and Market Appreciation	59.8	
Net Change		54.8
Market Value, December 31, 2013		$ 405.3

To track the market and book values for each individual endowed account, the University contracts the services of an external record keeper. At the end of 2013, there were 2,000 individual endowed accounts.

Investment Oversight

The Investment Committee holds four meetings a year and conducts its activities in accordance with the Statements of Investment Policies and Procedures. The Committee's responsibilities are principally in the domain of fund governance and investment strategy. Activities include regular monitoring of assets and performance, oversight and selection of portfolio managers, development of investment strategy and asset mix, review of fund expenses, and reporting to the Board. The Committee additionally undertakes and oversees further initiatives that are in the best interests of the Endowment Fund and its beneficiaries.

Investment Committee Activity Report – 2013

There were no changes to the Policy, asset mix, or managers during 2013. The last full series of changes initiated in 2008 by the revision of the Policy asset mix was completed in 2011. These constituted significant changes to the Fund's asset mix and managers that had followed on an Asset-Liability Study launched in 2006 as completed in 2008.

A new Asset-Liability Study launched in late 2012 with the assistance of Aon Hewitt, Investment Consultant, was conducted in early 2013. The study incorporated declines in capital inflows to the Fund due to discontinuation of government matching programs. Consideration was given to the addition of new asset classes with candidates including real estate, infrastructure and alternative asset classes. An advisory group with membership from the Investment Committee reviewed and advised on the capital markets assumptions and study parameters. The Investment Consultant produced a forward looking optimization and worked closely with the Administration and advisors to develop suitable recommendations. These were supported by the Investment Committee, and in the second half of 2013, a search for a Canadian Real Estate manager was undertaken.

At its September 2013 meeting, the Investment Committee approved a revision to the Specialty Canadian Fixed Income Mandate managed by TD Asset Management. As a result, a duration shortening tilt was introduced and implemented in the Canadian fixed income component of the Fund. Accordingly, one half of the Canadian fixed income holdings was reallocated from the passively-managed pooled fund of Canadian Universe Bonds to an actively-managed short-term bond fund. The purpose of the shift was to position a substantial amount of the fixed income assets out of the most interest rate-sensitive long-duration bonds in order to soften the effect on the portfolio of anticipated rising long-term interest rates.

The Canadian Real Estate manager search was conducted with the assistance of York's Investment Consultant, Aon Hewitt. At the December 2013 meeting a manager recommendation was brought to the Committee, and it was agreed that subject to completion of due diligence and production of a detailed Specialty Investment Manager Mandate.

The Spending Formula and Administrative Review continued during 2013 and focused on development of a plan to accomplish the following:

- Conversion of the endowment fund book value accounting to a market value basis unitized pool
- Conversion of the external record keeping system from dollarized to unitized
- Conversion of the general ledger records to the unitized system
- Implementation of the Smoothed Banded Inflation spending formula
- Recasting of the reporting mechanisms and formats published to inform internal and external stakeholders.

An internal multi-unit work group was formed for consultations and to provide specific expertise particularly with respect to conversions affecting financial systems and formal reporting produced for community, donors and financial statements preparation. An external provider was engaged to assist with the development and initiation of a unitized market value system for managing and reporting individual endowed accounts. Preparations for conversion from the book value dollar basis system to the unitized system were commenced.

Responsible investment program initiatives and developments were ongoing. The focus in 2013 was on the formation of the York University Advisory Committee on Responsible Investing. Terms of Reference were created and following a call for participants to the community, members of the academic, staff and student bodies were appointed to the inaugural Committee.

The endowment distribution for the first time in five years was managed without intervention and in accordance with current policy. A distribution of 5% of book value was paid out to all endowments to fund scholarships and endowed chairs.
As in prior years, the Committee reviewed the fund expenses in detail and compared York's expense levels to those of its closest peer group composed of medium to large sized Canadian university endowment funds. The complexity of York's investment structure, given its range and number of non-Canadian asset classes, together with currency overlay, caused it to tend to be expensive relative to peers on a strictly external investment management fees basis. However, taking into consideration that there were no internal costs charged by York to the Fund and that added value from performance has been strongly positive, the ratio of value to costs accrued showed that York's endowment expenses were worthwhile and of good value when compared to a peer group of the eighteen largest Canadian university endowment funds.

Investment Committee Planned Activity – 2014

Pursuant to the Asset-Liability Study in 2013, and the recommendations to date made to the Investment Committee, the following specific investment-related activities will be conducted by the University in 2014 with the oversight of the Investment Committee:

- Due diligence and site visit with proposed Canadian Direct Real Estate Manager.
- Conclusive recommendation to hire proposed Canadian Direct Real Estate Manager and presentation of Specialty Manager Mandate to Investment Committee for approval.
- Revision of Statement of Investment Policy and Procedures to incorporate Asset Mix and Performance Benchmark amendments, for the proposed approval of the Board of Governors, as follows:
  - Introduction of new asset class, Global Direct Real Estate, with a weight of 10%
  - Increase of Global High Yield Bonds asset class weight from 5% to 10%
  - Reduction of Canadian Bonds asset class weight from 25% to 20%
  - Reduction of Canadian Equity asset class weight from 15% to 10%
  - Reduction of Global Equity asset class weight from 25% to 20%
- Fund restructuring to accomplish the asset mix revision will be managed progressively through the year.

During calendar 2014, the major conversion activities and bulk of the system changes that form the core of the endowment unitization project will be conducted. These endowment-related activities focus on the conversion from the legacy dollarized system to a market value based unitized system for the endowed accounts valuation and recordkeeping. The restructuring of external and internal accounting to reflect these changes will constitute significant and long-anticipated events.

The introduction of the Smoothed Banded Inflation methodology for calculating the distribution to endowed account holders will be initiated with the tracking of the monthly unit valuations to commence on May 1, 2014 at the initial value of $100.00.

Responsible investment program initiatives and developments are ongoing. The focus in 2014 will be on working with the newly-formed York University Advisory Committee on Responsible Investing. It is expected that some of the University's investment managers will be invited to meet with the Committee to review their practices and adoption of Environmental, Governance and Social (ESG) factors in their investment strategy.